

**MINISTRY OF ADMINISTRATION AND PRIVATISATION OF
NATIONAL PROPERTY OF THE SLOVAK REPUBLIC**

**Concept of privatising state property
for the upcoming period**

Bratislava, November 2000

The Ministry of administration and privatisation of national property of the Slovak Republic submits a summarizing material for foreign institutions and investors concerned, approved by the Government of the Slovak Republic.

The material summarizes major points of approved privatisation concepts in the Slovak Republic for the upcoming period.

From the viewpoint of legislature, the process of privatisation in the Slovak Republic is governed by Act. No. 92/1991 Coll. on conditions of transfer of state property to other persons as amended by subsequent regulations. After adoption, the Act has been modified by several amendments. In 1999, the amendment No. 253/1999 Coll. was adopted, which made it possible to privatise 14 enterprises and joint stock companies, featuring natural monopolies. These ones belonged to a category of strategic enterprises not to be privatised. The Act defines which of the monopolies cannot be privatised, specifying at the same time the minimum proprietary participation of the state to be permanently preserved.

In this process, the method of privatisation is of chief importance. The proposal is to employ all standard ways depending on the goals the privatisation is aimed at.

The privatisation has to be lawful, professional, transparent, applying appropriate transformation and privatisation methods. In all cases, a combined method of privatisation is recommended, with a sale of a portion of the property to the strategic investor and, after his entry to sell a part of the shares in the capital market.

In the process of privatisation standard methods of privatisation are employed.

A public tender is a privatisation method undoubtedly advantageous by transparency of privatisation, with a possibility of being accessed by a wide group of persons interested, hence enabling to enter the process of privatisation to persons who did not make a privatisation bid before the decision on privatisation. Regarding these aspects, this way of privatisation will be needed in future too, especially in cases if a strategic partner is being sought who can bring capital as well as managerial, technical and technology know-how, along with access to new markets. In organizing public tenders, services of advisory companies to create an information memorandum, stating conditions and evaluation criteria, bid analyses as a basis to decide on the public tender result and to allow for an independent supervision and professional view can be used. In more complex cases and if a foreign investor is needed, it is necessary to entrust foreign companies with running the tender and other concerned services (work-up of an environmental audit, shareholder contract, etc.) to ensure the credibility of information and the whole transaction for potential buyers and guarantee the success of privatisation in the Slovak Republic.

Direct sale is a method of privatisation also featuring advantages and, with observing all rules it is also a transparent method of privatisation. Hence it ought to be applied also in the process of privatisation to come. Direct sale is presently run in

a form of a “narrow range competition” as an invitation to bid for known buyers of the business privatised. It’s also a competition method with criteria and conditions for bid assessment of individual buyers stated in advance and with the buyers having been informed of those conditions timely enough. The advantage of direct sale as compared to the public tender are faster proceedings, regarding technical and organization issues as well as time public tenders take.

Sale to portfolio investors on the stock exchange. This is a method we consider necessary to be applied especially with the sale of a portion of enterprises featuring natural monopolies. An important aspect is a probably higher volume of earnings of the share sale and the interest of the institutional investor in the business development since it’s his interest to increase the business value and thus the value of his investment. As a matter of fact it’s also important that in case of a sale to an institutional investor the actual business headquarters remain in Slovakia, while with a sale to a foreign strategic investor decision making is shifted outside Slovakia. There are also additional impacts concerning employment, profit transfer etc. Selling a portion of shares of privatised businesses over the stock exchange would be a significant impetus for the capital market in Slovakia. Examples from the Czech Republic, Hungary, Poland show a considerable increase of importance of the stock exchange after a part of shares of national telecommunication businesses were traded in the capital market. That effect is to be achieved in Slovakia, too.

The Ministry of administration and privatisation of national property will require the common payment conditions for property sale that expressly means sale in cash in a particular sum paid by the buyer within a period determined by the contract on property transfer.

The list of enterprises to be privatised

Slovenský plynárenský priemysel (Slovak gas industry comp.)

The gas industry branch is characterized by a dominant position of Slovenský plynárenský priemysel, st.ent. Bratislava, the owner and operator of natural gas transit, transport and distribution facilities. In terms of economic benefit, gas transit has got the dominant role in the gas industry in the Slovak Republic. Slovakia transports natural gas in amounts which are among the largest in the world.

The Slovak government and the National council of SR (Parliament) has discussed a material called "Intention and procedure of privatisation of the Slovenský plynárenský priemysel, state company", which starts from the Concept of restructuring and transformation of gas industry in the Slovak Republic, proposing ways of privatisation of gas industry along with a time and factual programme of its privatisation.

Elementary information memorandum:

Book value of property as of Dec. 31, 1999	70,357,000 thousand Sk
Permanent state or NPF SR property share	51 per cent
Property share intended for privatisation	49 per cent
Options of share division	
<i>Alternative I</i>	max. 34 per cent strategic investor (investors) at least 15 per cent portfolio investors
<i>Alternative II</i>	49 per cent portfolio investors
<i>Alternative III</i>	49 per cent strategic investor
Method of privatisation:	a) International public tender b) Sale in capital markets
Selection of privatisation advisor:	until end of 2000
Stating the alternative of share division and submission of elementary privatisation project:	until end of 2000
Privatisation finishing:	
<i>Alternative I</i>	a) strategic investor b) portfolio investors
	June 2001 gradually after entry of strategic investor
<i>Alternative II</i>	portfolio investors only
<i>Alternative III</i>	strategic investor only
	gradually until March 2001 June 2001

The alternative of share division will be recommended by the privatisation advisor, which is an international renowned company, on a basis of a decision of the Government of the Slovak Republic.

Transpetrol

Transpetrol is a joint stock company with the seat in the Slovak Republic. The main activities of Transpetrol are oil transport and storage.

The Concept of restructuring and privatisation of Transpetrol, joint stock company was adopted by the Government of SR in April 2000. Pursuant to the concept adopted the intention and procedure of privatisation of the Transpetrol, joint stock company was worked up, having been discussed by the Government of SR and the National council of SR.

Elementary information memorandum:

Book value of property as of Dec. 31, 1999	6,856,000 thousand Sk
Permanent state or NPF SR property share	51 per cent
Property share intended for privatisation	49 per cent
Options of share division:	max. 34 per cent strategic investor (investors) at least 15 per cent portfolio investors
Method of privatisation:	a) international public tender b) sale in capital markets
Selection of privatisation advisor:	until end of 2000
Stating the alternative of share division and submission of elementary privatisation project:	until end of 2000
Privatisation finishing:	
a) strategic investor	May 2001
b) portfolio investor	gradually after entry of strategic investor

The alternative of share division will be recommended by the privatisation advisor, which is an international renowned company, on a basis of a decision of the Government of SR.

Power industry

Based on a decision of the Government of SR a "Concept of power distributing plants" was worked up, pursuant to which distribution and heating-plants of power industry will be formed. The concept counts with co-operation of self-government authorities in the privatisation of heating-plants part since it is doubtlessly an entrepreneurial activity of local character.

Presently, the Ministry of Economics of SR as a founder prepares the intention and procedure of privatisation of 3 power distribution plants in co-operation with the Ministry of Administration and Privatisation of National Property of the Slovak Republic (MAPNP of SR) to be submitted to the Government of SR and the National Council of SR, presenting a factual and time programme of privatisation.

Elementary information memorandum:

Západoslovenské energetické závody, š.p. Bratislava (Western Slovakia power plants, state company Bratislava)

Book value of property as of Dec. 31, 1999	10,605,561 thousand Sk
Permanent state or NPF SR property share	51 per cent
Property share intended for privatisation	49 per cent
Method of privatisation:	public tender strategic investor
Selection of privatisation advisor:	beginning of 2001
Submission of privatisation project at the MAPNP of SR:	March 2001
Foundation of joint stock company:	September 2001
Privatisation finishing:	until end of 2001

Stredoslovenské energetické závody, š.p. Bratislava (Central Slovakia power plants, state company Bratislava)

Book value of property as of Dec. 31, 1999	12,698,444 thousand Sk
Permanent state or NPF SR property share	51 per cent
Property share intended for privatisation	49 per cent
Method of privatisation:	public tender strategic investor
Selection of privatisation advisor:	January 2001
Submission of privatisation project at the MAPNP of SR:	March 2001
Foundation of joint stock company:	September 2001
Privatisation finishing:	until end of 2001

Východoslovenské energetické závody, š.p. Bratislava
(Eastern Slovakia power plants, state company Bratislava)

Book value of property as of Dec. 31, 1999	5,216,664 thousand Sk
Permanent state or NPF SR property share:	51 per cent
Property share intended for privatisation:	49 per cent
Method of privatisation:	public tender strategic investor
Selection of privatisation advisor:	beginning of 2001
Submission of privatisation project at the MAPNP of SR:	by the end of 2000
Foundation of joint stock company:	Ist quarter of 2001
Privatisation finishing:	IInd quarter 2001

Power plants being the property of the Slovak Power Plants, joint stock company belong also to the part of power industry that can be privatised. There are also power plants and operations in the current structure excluded from the legal privatisation, e.g. hydro-electric power plant Gabčíkovo including Čuňovo, atomic power plant and other. It may be supposed that the intention and the restructuralisation and privatisation process of the Slovak Power Plants, joint stock company will be evaluated in the course of the first six months.

Bank sector

The Government of the Slovak Republic has approved the concept of the privatisation of banks in May 1999 and the range, by which progress and the time schedule of the privatisation of banks with the participation of the National Property Fund have been determined. Within the framework of the pre-privatisation the preparation of the restructuralisation of these banks has been carried out and their portfolio has been recovered so that criteria according to Basel Agreement could be accomplished. Financial advisors have prepared the information memoranda and the conditions on sale have been published in the foreign financial media.

	total property as of the end of 1999	portion set for privatisation	assumed date of the privatisation end
	Sk thousand	per cent	
Všeobecná úverová banka joint stock company	8 900 000	84,54	June 2001
Slovenská sporiteľňa joint stock company	4 300 000	87,18	year 2001
Banka Slovakia joint stock company	757 000	60,07	year 2001
Investičná a rozvojová banka joint stock company	5 700 000	69,56	year 2001

Sale to the strategic investor within public competition has been selected as the privatisation method.

Všeobecná úverová banka (Universal Credit Bank) - total assets are above Sk 170 billion thus being above the 20 per cent limit of gross assets of the banking sector of the Slovak Republic. This Bank is the largest credit grantor for the sector of enterprises in the Slovak Republic representing one third of credits of the banking sector of the Slovak Republic. It employs 7486 clerks in the Slovak Republic and 87 clerks in the Czech Republic, respectively. It has established and 87 branches in the Slovak Republic and 1 branch abroad (Prague). 195 sub-branches in the Slovak Republic and 3 sub-branches abroad have been established.

Slovenská sporiteľňa (Slovak Savings Bank) - total assets are above Sk 180 billion. The Bank represents 33 per cent of the credit market of the Slovak Republic whereas 25 percent being the portion of credits granted to population. Its structure consists of 350 clerks, 638 branches and 601 sub-branches.

Investičná a rozvojová banka (Investment and Development Bank)– represents 5 per cent of total assets of the banking sector by its asset value of Sk 43 billion. The Bank has the high share of total assets up to 80 per cent due to the succession of credits of the State Bank of Czechoslovakia in the field of power plants and cooperative housing construction. Its structure consists of 1230 clerks, 5 primary and 36 secondary organizational units.

Banka Slovakia (Bank Slovakia) - by Sk 3 billion belongs to the smaller banks. The Bank has developed good structure of portfolio credits thus being not subject of restructuralisation. Its structure consists of 107 clerks, and 3 sub-branches.

Furthermore, there is minor participation of the state in the privatisation of the Poštová banka (Post Bank) 17,04 per cent and 25,58 per cent via the Slovak Posts and the Slovak Consolidation joint stock company with the perspective of their privatisation in the year 2001.

Privatisation of the property of state companies bus transportation

The Government of the Slovak Republic has approved the Draft of the Transformation and Privatisation Concept of the State-owned Companies of the Slovak Bus Transportation (SBT). 17 state SBT companies with the value of Sk 4 billion are in question. Their privatisation will be carried out by the establishment of joint stock companies and by the subsequent sale of 49 per cent shares to interested subjects selected in a public tender.

Privatisation of SBT companies – timetable and action plan:

Name and address	Property book value (Sk thousand) as of 31 12 1999	Elaboration of the basic privatisation project	End of the first privatisation stage
SBT BBDS, Banská Bystrica	800 932	by 31.12.2000	by 30.6.2001
SBT, Bratislava	383 898	by 31.12.2000	by 30.6.2001
SBT, Dunajská Streda	83 900	by 31.12.2000	by 30.6.2001
SBT, Humenné	101 551	by 31.12.2000	by 30.6.2001
SBT KDS, Košice	366 128	by 31.12.2000	by 30.6.2001
SBT, Liptovský Mikuláš	122 677	by 31.12.2000	by 30.6.2001
SBT, Lučenec	133 338	by 31.12.2000	by 30.6.2001
SBT, Michalovce	141 231	by 31.12.2000	by 30.6.2001
SBT, Nitra	238 135	by 31.12.2000	by 30.6.2001
SBT, Nové Zámky	190 035	by 31.12.2000	by 30.6.2001
SBT, Poprad	148 479	by 31.12.2000	by 30.6.2001
SBT, Prešov	176 521	by 31.12.2000	by 30.6.2001
SBT, Prievidza	197 039	by 31.12.2000	by 30.6.2001
SBT, Trenčín	214 709	by 31.12.2000	by 30.6.2001
SBT, Trnava	245 914	by 31.12.2000	by 30.6.2001
SBT, Zvolen	253 412	by 31.12.2000	by 30.6.2001
SBT, Žilina	211 357	by 31.12.2000	by 30.6.2001

According to the approved timetable privatisation of these transport companies shall be carried out by the end of June 2001.

State companies of water and sewerage enterprises

The transformation concept of the state companies of water and sewerage enterprises (WS) has been approved by the Government of the Slovak Republic. It concerns 5 state WS companies possessing and operating the infrastructure of water pipes and sewerage, multicommunal group water pipes, sewerage and sewage disposal plants with the book value of the operation property and property of the higher water systems being Sk 38 billion.

No.	Name	Property book value (Sk thousand) as of 31 12 1999
1.	Water and sewerage enterprises, state enterprise Bratislava	6 769 505
2.	Water and sewerage enterprises of Western Slovakia, state enterprise Bratislava	9 629 175
3.	Water and sewerage enterprises of Northern Slovakia, state enterprise Žilina	5 512 417
4.	Water and sewerage enterprises of Central Slovakia, state enterprise B. Bystrica	4 925 675
5.	Water and sewerage enterprises of Eastern Slovakia, state enterprise Košice	10 093 176
In total		37 929 948

Transformation and privatisation of the WS companies will be carried out by creation of 14 water joint stock companies established by the National Property Fund of the Slovak Republic through the entry of the overall property of the state WS companies. Subsequently, National Property Fund of the Slovak Republic will transfer shares of the aforementioned companies by means of voluntary conveyance to municipalities proportionally to the number of municipality inhabitants. The whole process will be carried out sequentially and will be completed by the first months 2002.

Privatisation in the section of health

At present, privatisation of the state companies MEDIKA Bratislava and IMUNA Šarišské Michaľany is being completed. Privatisation of the mentioned enterprises shall be finished by the end of 2000 in case of the IMUNA company and by the beginning of 2001 in case of the MEDIKA company, respectively.

Imuna, state company Šarišské Michaľany is a state-owned enterprise of the book value Sk 76 million. 61 per cent shares are predestined for direct sale to the strategic investor and the balance value of shares to be sold is Sk 42 mil. Direct sale to the strategic investor selected through public tender is the privatisation method used in this case.

Medika, state company Bratislava shall be privatised in the two outputs. 49 per cent shares of the joint stock company Medika Zvolen and 100 per cent shares of the joint stock company Medika Košice shall be privatised. The first output is the property of the book value of Sk 142 million and in the latter case the book value of the property to be privatised is Sk 55 million. The privatisation method used is the direct sale to strategic investor selected through public tender whereas 49 per cent shares of MEDIKA Zvolen is of the book value Sk 63 million.

Privatisation of other enterprises and organizations

Subsequent privatisation of another 11 companies and organisations added by the Government of the Slovak Republic to the list of companies and organisations to be privatised is assumed for the year 2001. The balance value and the assumed privatisation method of research institutes, state institutes for testing and other organisations are shown in the following Table.

Research institutes and state institutes for testing

Name and address	<i>Property book value (Sk thousand)</i>	<i>Staff number</i>	<i>Timetable</i>	<i>Privatisation Method</i>
Institute for Education and Services, Bratislava	51 819	68	2001	Direct sale
Research Welding Institute, Bratislava	286 724	339	2001	Direct sale
State Wood Institute, Bratislava	104 961	46	2001	Direct sale
Lignotesting, Institute for Wood and Furniture Testing, Bratislava	30 408	21	2001	Direct sale
Research Fodder Institute Ivánka pri Dunaji	96 429	48	2001	Direct sale / public tender

Military enterprises

Name and address	<i>Property book value (Sk thousand)</i>	<i>Staff number</i>	<i>Timetable</i>	<i>Privatisation Method</i>
Military Repair Facility 028, Prešov, state company	98 732	177	2001	Direct sale / public tender
Military Cartographic Institute Harmanec, state company	100 594	207	2001	Direct sale / public tender

Education objects and facilities

Name and address	<i>Property book value (Sk thousand)</i>	<i>Staff number</i>	<i>Timetable</i>
Secondary school of wood Zvolen in the building of the former vocational school of agriculture Vigl'áš – Pštruša	5 591	2001	direct sale
Secondary school of transportation and services Lučenec-recreation facility Kokava-Háj	11 439	2001	direct sale
Outdoor schooling – Krahule, building and dormitory under construction	51 184	2001	direct sale
Hostel – C-block, Lučenec	3 505	2001	direct sale

Except for the above mentioned enterprises to be privatised the Ministry of administration and privatisation of national property of the Slovak Republic (hereinafter referred to as MAPNP of SR) and National Property Fund of the Slovak Republic (hereinafter referred to as NPF of SR) keep records of following enterprises:

1. Industry sector

Subject:	Auto Martin, joint stock company Martin
Equity:	SKK 69,8 mil. (NPF's property share of 95 per cent)
Assumed privatisation completion date:	the date is not determined, yet
Current situation in the privatisation process:	subject in the phase of preparation for the change of privatisation decision of the Government

Subject:	Paneláreň, joint stock company Košice
Equity:	SKK 118 mil. (NPF's property share of 100 per cent)
Assumed privatisation completion date:	the date is not determined, yet
Current situation in the privatisation process:	subject in the phase of preparation for the change of privatisation decision of the Government

Subject:	Západoslovenské tlačiarne, a.s. Bratislava (Western Slovakia printing plants, joint stock company Bratislava)
Equity:	SKK 20,3 mil. (NPF's property share of 100 per cent)
Assumed privatisation completion date:	the date is not determined, yet
Current situation in the privatisation process:	subject in the phase of preparation for the change of privatisation decision of the Government

Subject:	Slovenská plavba a prístavy, a.s. Bratislava (Slovak navigation and ports, joint stock company Bratislava)
Equity:	SKK 2,5 bill. (NPF's property share of 97 per cent)
Proposed method of privatisation:	public tender
Assumed privatisation completion date:	the date is not determined, yet
Current situation in the privatisation process:	The booking value of enterprise has not been determined, yet and the written approval of NPF of SR was issued for disposal of its shares.

Subject:	AIR SERVICE, joint stock company Košice
Equity:	SKK 31 mil. (NPF's property share of 48 per cent)
Proposed method of privatisation:	direct sale
Assumed privatisation completion date:	December 2000
Current situation in the privatisation process:	The date for submission of proposals for the privatisation offers was declared and their confirmation will be a subject of selection commission.

Subject:	CHEMES, joint stock company Humenné
Equity:	SKK 1,3 bill. (NPF's property share of 38 per cent)
Assumed privatisation completion date:	the date is not determined, yet
Current situation in the privatisation process:	The project is a subject of founder's judgement on possible method of privatisation.

Subject:	Odevné závody kpt. Nálepku, a.s. Prešov (Clothing plants, joint stock company Prešov)
Equity:	SKK 283 mil. (NPF's property share of 30 per cent)
Assumed privatisation completion date:	the date is not determined, yet
Current situation in the privatisation process:	The MAPNP of SR issued an approval of disposal of NPF's property share.

Subject:	Slovnaft, joint stock company Bratislava
Equity:	SKK 16,47 bill. (NPF's property share of 10 per cent)
Proposed method of privatisation:	sale in stock exchange markets (3 per cent) temporal property share of National Property Fund of the Slovak Republic (7 per cent)
Assumed privatisation completion date:	December 2000
Current situation in the privatisation process:	The MAPNP of SR issued an approval of disposal of NPF's property share.

Subject:	Novácke chemické závody, a.s. Nováky (Chemical plants, joint stock company Nováky)
Equity:	SKK 1,64 bill. (NPF's property share of 41 per cent)
Proposed method of privatisation:	direct sale
Assumed privatisation completion date:	December 2000
Current situation in the privatisation process:	The MAPNP of SR issued an approval of disposal of NPF's property share.

2. Other sectors

Subject:	Minerálne vody, a.s. Prešov (Mineral waters, joint stock company Prešov)
Equity:	SKK 130,9 mil. (NPF's property share of 37,1 per cent)
Proposed method of privatisation:	direct sale
Assumed privatisation completion date:	December 2000
Current situation in the privatisation process:	The MAPNP of SR issued an approval of disposal of NPF's property share.

Subject:	Slovenské liečebné kúpele Piešťany, a.s. Piešťany (Slovak curative spa, joint stock company Piešťany)
Equity:	SKK 1,51 bill. (NPF's property share of 92,2 per cent)
Proposed method of privatisation:	public tender sale in capital markets after entry of strategic investor free of charge transfer to municipalities
Assumed privatisation completion date:	December 2000
Current situation in the privatisation process:	The MAPNP of SR issued an approval of disposal of NPF's property share.

Information on privatisation process in the Slovak Republic

To those interested in privatisation of mentioned enterprises and organizations it is recommended to express their interest on the address of the Ministry of administration and privatisation of national property of the Slovak Republic in the written form, the Ministry will send detailed conditions.

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